

Internal Revenue Service  
P.O. Box 1123, Central Station  
St. Louis, MO 63180

JUN 24 1981

Dear Applicant:

We have considered your application for exemption from Federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1954 and the information submitted in support thereof.

The information submitted indicates you were incorporated on [REDACTED] under the laws of the State of [REDACTED]. Article [REDACTED] of your Articles of Incorporation states that the purpose for which you were formed is to "Promote interest in Federal, State and Local Government."

Your sole activity consists of sponsoring an annual dinner and show during which various politically satirical skits are performed to highlight areas of shortcomings in public officials and governmental office. The dinner is a formal affair and can be attended by invitation only. The invitation list consists of 350 to 450 males who are area business and community leaders.

Your revenue is derived primarily from the sale of tickets to the dinner. Your expenditures are primarily for the dinners, production costs related to the skits, and the printing of invitations, programs, tickets, and promotional literature.

Section 501(a) of the Internal Revenue Code of 1954 provides for the exemption of certain organizations described in subsection 501(c).

"(3) Corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting to

influence legislation (except as otherwise provided in subsection (h)), and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office."

Section 1.501(c)(3)-1 of the Income Tax Regulations relates to the definition of the organization and operation of organizations described in Section 501(c)(3). It reads, in part, as follows:

"In order to be exempt as an organization described in Section 501(c)(3), an organization must be both organized and operated exclusively for one or more of the purposes specified in such section. If an organization fails to meet either the organizational test or the operational test, it is not exempt.---The term 'exempt purpose or purposes,' as used in this section, means any purpose or purposes specified in Section 501(c)(3)---."

"An organization is organized exclusively for one or more exempt purposes only if its articles of organization--- limit the purposes of such organization to one or more exempt purposes."

"An organization will be regarded as 'operated exclusively' for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in Section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose."

Moreover, an organization is not organized or operated exclusively for one or more exempt purposes specified in Section 501(c)(3) unless it serves a public rather than a private interest. To meet this requirement, it is necessary for an organization to establish clearly that it is not organized or operated for the benefit of any private interests.

You allege your presentation of the politically satirical skits provides a powerful deterrent to politicians and government officials to refrain from abusing their public office. You also believe it provides a motivation to the public to maintain an interest in government. It would appear you purport to be an educational organization.

Section 1.501(c)(3)-1(d)(3) of the Regulations provides that the term "educational" as used in Section 501(c)(3) relates to the instruction of the public on subjects useful to the individual and beneficial to the community.

In Revenue Ruling 66-258, 1966-2 U.B. 213, exemption was granted to an organization created for the purpose of elevating the standards of ethics and morality in the conduct of campaigns for election to public office. The organization collected, collated, and disseminated information concerning campaign practices through the press, radio, television, mail, and public speeches. In addition, the organization furnished teaching aids to political science and civic teachers for use in school classes. One of their major activities was the formulation of a code of fair campaign practices which they publicized by direct correspondence, newspapers, radio, television, and the publishing of reports, pamphlets, and leaflets which were made available to the public. Their receipts were derived from contributions, grants, and the sale of their literature. It was held they were an educational organization of the type described in Section 501(c)(3) of the Code.

In contrast, your only activity is the annual formal dinner whose attendance is restricted to a select few business and community leaders. The satirical skits which are allegedly educational, in fact, appear to be presented primarily for entertainment purposes. An examination of the content of the skits reveals them not to be exclusively educational in nature. The satirical criticism of government and public officials hardly qualifies as an exclusively educational activity. Unlike the organization in Revenue Ruling 66-258, you do not provide a constructive plan or program for the improvement of public office nor are your activities directed toward the general public. All circumstances surrounding the dinner and your organization, such as the closed nature of the dinner, the restricted invitational list, your lack of financial support from the general public, and the little information which is made available to the public, point to the essentially private nature of your organization.

Based upon the information submitted, it is necessary to conclude that your annual dinner and skits are presented primarily for private entertainment purposes rather than for exclusively public educational purposes. You therefore are not operated exclusively for one or more exempt purposes and do not meet the operational test of Section 501(c)(3) of the Code.

Furthermore, your purposes as stated in your Articles of Incorporation are broader than those specified in Section 501(c)(3) and there is no provision for the distribution of your assets in the event of dissolution as required by Section 1.501(c)(3)-1(b)(4) of the Regulations. You therefore do not meet the first statutory test--that an organization be organized exclusively for one or more exempt purposes.

Accordingly, we hold that you do not qualify for exemption from Federal income tax as an organization described in Section 501(c)(3) of the Code inasmuch as you are not organized and operated exclusively for one or more of the exempt purposes specified in that Section.

[REDACTED]

You are required to file Federal income tax returns annually on Form 1120.

If you do not agree with these conclusions, you may, within 30 days from the date of this proposed adverse determination letter, appeal to the Regional Office through this Key District Office. Your appeal should contain the information described under Regional Office Appeal in the enclosed Publication 892 and should be mailed to this office. The Regional Office will let you know what action they take and will set a date and place for any conference to be held.

Section 7426(b)(2) of the Internal Revenue Code provides, in part, that:

"A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Court of Claims, or the district court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies.

This is a determination letter.

Sincerely yours,

Signed [REDACTED]

District Director